

COLOPLAST

**Moderator: Lars Rasmussen
November ,3, 2015
2:00 p.m. GMT**

Operator: This is conference # 954616.

Operator: Good afternoon. Thank you for standing by, and welcome to the Coloplast financial statement call. (Operator Instructions). I must advise you that the conference is being recorded today on Tuesday, November 3, 2015. And I would now like to hand the conference over to your first speaker today, Lars Rasmussen. Please go ahead.

Lars Rasmussen: Thank you. Good afternoon and welcome to our full-year 2014/2015 conference call.

I'm Lars Rasmussen, CEO of Coloplast, and I'm joined by CFO Anders Lonning-Skovgaard and our investor relations team. We will start with a short presentation by Anders and myself, and then open up for questions.

Please turn to slide number 3. In Coloplast in 2014/2015, the 2014/2015 fiscal year will not be remembered for being an easy year. Despite this, we did deliver an organic growth of 7% and 33% EBIT margin. These are great numbers, but we entered the year believing we could achieve more.

We saw positive momentum in most European and emerging markets, but we underestimated the impact of the DoJ subpoena in the US and the slow pace of recovery of our UK homecare business. We also had to increase the provisioning for the US mesh litigation, triggering our third downgrade this fiscal year.

These performance issues overshadowed the fact that many good things also happened in 2014/2015. We saw a fantastic performance in our wound care business and a very nice uptake of our new products across our business areas. In addition, we continue to expand the scale and scope of our consumer care efforts, now reaching out to almost 1m consumers.

Today, the Board of Directors approved an DKK8 ordinary dividend, amounting to a total of DKK12.5 per share in dividends this year. We also proposed to the Annual General Meeting to cancel 4m shares.

Our guidance for 2015/2016 is an organic revenue growth of 7% to 8% in fixed currencies and 8% to 9% in Danish kroner, and an EBIT margin of 33% to 34% in fixed currencies and in Danish kroner. Anders will explain later how we arrived at this guidance.

Please turn to slide number 4. Revenues grew 7% organically and 12% in Danish kroner and amounted to DKK13.9b. In ostomy care, organic growth was 6% and growth in Danish kroner was 9%. In Q4, organic growth was 7%. Growth continues to be driven by our SenSura and Brava portfolio, especially in the Nordic region, UK, Germany, Italy and France.

Even though the situation in Charter has improved, it has had a negative impact on the growth rates over the quarters in 2014/2015. We continue to see significant pricing pressure in the Netherlands and increased competition in the German homecare segment. Our SIEWA portfolio growth was driven by good performance in China, Mexico and Argentina.

In continence care, organic growth was 8% and growth in Danish kroner was 13%. In Q4, growth came in at 10%. The SpeediCath ready-to-use intermittent catheters continued to drive growth, and especially the compact versions performed well.

In the compact segment, we see strong performance in markets like France, UK, US, but also a tender win in Saudi Arabia in Q1 contributed to growth. Performance in our Conveen collecting device portfolio was unsatisfactory due to increasing competition in the urine bag segment, especially in Holland,

US and UK. Finally, sales growth for our Peristeen products remains satisfactory, especially in the UK, France, Germany and Italy.

In urology care, organic growth was 5% and growth in Danish kroner was 13%. In Q4, the growth also came in at 5%. Our endourological business continues its satisfying performance, especially in Europe and Middle East.

Sales of the Titan range of inflatable penile implant devices continue to drive the performance, but we continue to experience a low number of procedures and higher competition for these products in the US. We also continue to experience low growth within female pelvic health due to low market growth and declining sales of our older Aris sling.

In wound and skin care, organic growth continued at 9% and growth in Danish kroner was 16%. Organic growth for wound care in isolation was 11%. For Q4, the organic growth for wound and skin care was also 9%.

The growth was driven by Biatain sales, in particular Biatain Silicone in Europe, very good growth rates in China and Greece, and finally a tender win in Saudi Arabia earlier this year. In Q4, the skin care business saw strong growth rates and our contract manufacturing of Compeed contributed to growth.

Turning to our geographical segments, we saw organic growth of 5% both for the full year and in Q4 in our European markets. The growth continues to be very satisfactory in France, the Nordics and the Southern European region, whereas both the Netherlands and the UK continue to have unsatisfactory growth rates. The pricing pressure remains and has even increased a bit in the Netherlands. Finally, as mentioned earlier, we are experiencing increased competition in the German homecare segment.

Organic revenue growth in other developed markets was 6% for the year and 8% for Q4 alone. Order buying patterns from one of our largest US customers continued to impact quarterly performance in the US, and the impact in Q4 was positive. Overall, the growth trend in the US improved over the year.

The US business also remains impacted by the US subpoena investigation, which reduced the level of campaign activities in the US. We have achieved an agreement in principle with the Department of Justice over the summer on the subpoena, and while the DoJ is finalizing this, we are increasing our sales and marketing activities again. For example, we are currently running our own first direct response TV ad on national TV in the US, so I'm quite excited about the future for our US business.

Finally, our growth rates in Canada, Japan and Australia all remain satisfactory.

Revenue in emerging markets grew organically by 21% for the full year and 24% in Q4. The growth was driven by China, Saudi Arabia, Greece and Argentina, whereas Algeria and Brazil impacted the growth rates negatively. We continue to see high growth rates in China, especially in ostomy care and wound care, and both Saudi Arabia and Argentina are delivering on tender wins from earlier this year.

With this, I'll hand over to Anders. Please turn to slide number 5.

Anders Lonning-Skovgaard: Thank you, Lars, and good afternoon, everybody.

Gross profit was up by 12% to around DKK9.5b. This equals a gross margin of 69%, on par with last year.

We continued to see a negative gross profit impact from the launch of new products, where the production economy is not yet fully optimized, but this negative impact is compensated for by improvements in the production efficiency at our volume sites. The gross profit was also impacted by increasing depreciation levels, the write-down of the negative pressure wound therapy inventory and costs associated with the expansion of our Nyirbator site and relocation of manufacturing to Hungary.

In Q4, it was announced that a further expansion of the Tatabanya site has been initiated. This is a DKK150m investment. The expansion will add 20,000 square meters and is expected to be finalized in the summer of 2016.

The distribution to sales ratio came in at 28%, on par with last year. The ratio was impacted by incremental sales investments in China, emerging markets, US and UK of around DKK200m. Q4 in isolation was in line with last year.

The admin to sales ratio came in at 4% of sales, up DKK102m compared to last year. The underlying admin to sales ratio is flat.

In Q2 last year, we reversed a provision of DKK20m, mainly related to bad debt in Spain. Also, Q3 this year, we took a total provision of DKK75m, partly due to the Department of Justice subpoena investigation in the US and partly to increase the provision for bad debt in Greece.

On the DoJ investigation, we have previously announced that an agreement in principle has been reached, and we can now add that the settlement amount will be \$3.1m. On top of this, we have legal advisory costs which are covered by the provision.

The R&D to sales ratio came in at 3% of sales. This year was impacted by higher general activity levels compared to last year, but also by restructuring costs associated with the organizational changes announced earlier this year.

As you all know, we announced an increase in the provision for mesh litigation of DKK3b. The entire amount is booked in Q4 under special items.

Overall, this resulted in an increase in operating profit before special items of 9%, corresponding to an EBIT margin of 32% in fixed currencies and 33% in actual currencies. Including special items, the EBIT margin was 10% in fixed currencies and 11% in actual currencies.

Operating cash flow amounted to DKK3.3b and was slightly higher than last year. We saw positive impact from higher absolute earnings before special items and product liability insurance payment of DKK150m, which was offset by a higher voluntary on account tax payment and cash settlements on currency hedging activities, and finally payments on escrow accounts to settle mesh claims.

Cash flow from investing activities was impacted by investment in capacity expansion, both in machines for production of the new products and the site expansion Nyirbator in Hungary. CapEx increased to DKK617m, up 16% compared to last year. Finally, the sale of bonds provided a DKK352m cash contribution compared to last year.

Please turn to slide number 6. For 2015/2016, we expect revenues to grow 7% to 8% organically in fixed currencies and 8% to 9% in Danish kroner. Our guidance assumes stable growth rates in Europe, and we expect our growth rates to normalize throughout the year as performance in Charter improves. We also assume growth rates in North America and emerging markets continue its stable trend from last year.

It should also be mentioned that we expect a fairly large difference between the first half and the second half of the year, due to the gradual improvements in the UK and the US.

We expect a negative pricing pressure of around 1 percentage point on our topline, and this is reflected in our guidance. The negative price pressure is especially driven by Holland and to a lesser extent by the German homecare market.

For 2015/2016, we expect an EBIT margin of 33% to 34% in both fixed currencies and in Danish kroner. Higher growth from our new product launches still means pressure on gross margin, but we have started the relocation of manufacturing out of Denmark to Hungary. We expect the benefits to be absorbed by the cost of relocation in 2015/2016.

We also expect depreciations to increase at the same level as last year, as a consequence of the last couple of years' increase in CapEx. On our operating expenses, we expect stable trend to this year, as we continue incremental sales investments of around DKK150m. We currently expect our net financials to end the financial year 2015/2016 around minus DKK100m, impacted primarily by cash flow hedge losses on especially British pound and US dollar.

CapEx guidance for 2015/2016 is expected to be around DKK700m and is driven especially by investments in more capacity and for new products, including SenSura Mio, Biatain Silicone, Compact Eve and the Tatabanya expansion.

Finally, our effective tax rate is expected to be around 23%.

This concludes our presentation. Thank you very much. Operator, we are now ready to take questions.

Operator: (Operator Instructions). Annette Lykke, Handelsbanken.

Annette Lykke: Thank you very much, and as the first caller, I'd like to congratulate you with the very nice results. First of all, I would like to hear if you could put a bit more color on the UK Charter situation, what sort of initiatives you need to initiate a more positive development where you can regain part of the lost market share.

And as an additional question to that, I would like to hear a little bit about your SenSura Convex launch, when you expect to do this in the UK and whether this will have any sort of a positive effect on the development there and the ability to regain market share.

Lars Rasmussen: Thank you for that. If we look at the UK Charter situation, we actually think (technical difficulty) what we have done (technical difficulty) realized that we had to reprogram the underlying process for the entire Charter organization, because there was an underlying flaw that means that we were not able to handle the number of prescriptions that (technical difficulty). And this is quite a big innovation for us, so afterwards we had to (technical difficulty).

Sorry about that. Did you get any of what I said because my (multiple speakers)?

Annette Lykke: It was very hard to hear.

Lars Rasmussen: Okay. I'll start over again then. Sorry about that. So actually, if we look at the Charter operation, then because we had this underlying flaw in our -- in the

programming of the process for the entire Charter setup, we had to reprogram the underlying IT system. And then, afterwards we had to retrain the whole staff, and that's a pretty large staff that we have there. It's a sizable business.

And now we think that things are actually working really nicely, and we know that the wait times are definitely competitive compared to any other homecare company that you would like to compare to in the UK when you're calling in. So with that, we think that we have fixed these issues, and we gave that a quarter to be absolutely certain that things are working as we want it to work. That also means that now we start the win-back campaigns, but I have to be honest and say I don't know if we're able to win back people who left us because of the bad performance in Charter.

You can see on the underlying volume that our volume growth had been intact, so where we have lost out is people who are leaving Charter Healthcare because they want a better delivery performance, but they have not changed products. They are just leaving because they want a better supply of their products, and they can get that in any of the other homecare companies. That's not the case anymore, so I think that we are absolutely competitive. But as I said, I don't know if we will be able to win back customers.

And then to the SenSura Convex situation, yes, we're launching it as we speak in the UK. It's been extremely well received both there and also other places where it's available at this point in time. It's been a prelaunch, so it's only been for sale in the market for the last couple of weeks, but it's the first Convex product in the market where we can clinically prove that you have less leakage when you're using this product, and people are reacting extremely positive to it. So we have very good expectations for this also outside of the UK.

Annette Lykke: Thank you.

Operator: Ian Douglas-Pennant, UBS.

Ian Douglas-Pennant: Thanks very much. The first one, please, on the margin guidance, and a kind of nitty-gritty question. Does 33% to 34% mean, as it has in the past, 32.5% to 34.5%? And if so, in your mind, is the distribution of risk

within that range equal or rather is 32.5% as likely in your mind as 34.5%? Or are you just saying it's the normal 50 to 100 basis points of margin expansion, so we should think about it as 33% to 33.5%?

And then the second one is on the continence care growth, which is obviously very strong this quarter, having been very weak last quarter. Should we connect the two when we're thinking about the growth rate? Should we look at it for the second half as a whole?

And within that, how important was the restocking in the US and the Saudi Arabian tender? Could you just give us an indication of those two? Thanks very much.

Anders Lonning-Skovgaard: So, Ian, in terms of your question around the guidance, so we have guided 33% to 34%, so that is 33% to 34% and not what you were saying, 32.5% to 34.5%. So it's 33.0% to 34.0%.

Lars Rasmussen: And on the continence care side, I think that we have a pretty strong uptake most places, but as you have also noticed, the whole situation in the UK has taken away so much of our efforts that we are a bit marked there when it comes to the uptake on the NPDs. But fortunately, we have a very strong community machine, and that also means that we are able to convert afterwards.

So we see -- we actually see that we have a nice growth across the globe, and especially on the compact side, where we see that France, UK, US and Germany are really driving performance for us.

Ian Douglas-Pennant: Okay. If I could just follow up on the first one, because it was a much easier answer than I thought, could you quantify the magnitude of the H1 versus H2 shift? I just went quickly back through my model, and I noticed normally it's about 48% to 52% H1 to H2 at the EBIT line. Should we expect as much as 45%, 55%, or can you give us any idea there?

Anders Lonning-Skovgaard: So what I also said earlier is that we expect to have a better second half than the first half. So the first half we expect to be in the lower end of our

full-year guidance, and then the second half in the higher end of our full-year guidance. That's how we see it.

Ian Douglas-Pennant: Okay. Great. That's very clear. Thank you.

Operator: Niels Leth, Carnegie.

Niels Leth: Good afternoon. Just a clarification question about the backend loading of earnings this year. Why would it be so backend loaded when you have a fairly easy comparison, at least in quarter one?

And secondly, could you talk about your growth rate in the US isolated and which impact that you're seeing from the promotional campaigns as of yet?

And then finally, just the timing of your mesh settlements on your cash flow. Thank you.

Anders Lonning-Skovgaard: So, Niels, the first question, I think you said why is it backend loaded on the margin. When we are starting out the year, we are also starting out with the new investments into sales, so we are investing into the business from the beginning of the year. And the other thing is that we have also in the last couple of years seen a strong Q4, where the nominal sales is higher than the previous quarter's.

In terms of your third question, the mesh, we expect it will hit our cash flow over the next 12 to 24 months. We are actually going out and borrowing money in order to handle the cash flow in that period, and we expect to borrow in the level of DKK1b.

Lars Rasmussen: And to the growth rates in the US, we're a little bit cautious on that because we have started campaigns, as I also said in the opening presentation, in the US together with dealers, and we did that already last quarter.

Right now, as we speak, we are running a campaign in the US where we are for the first time going solo, so it's only us who are promoting our compact catheters there to see what kind of uptake we will be able to create there. It's not because we want to sell the products ourselves, but we want to be able to

make a much stronger lead -- stream of leads to the dealers with whom we make business. And that is an activity that we have not tried before, and therefore we need to learn how to do that and to get bang for the buck or value for the money.

So therefore, there's no doubt that our sales in the year that we have had have been impacted by the DoJ subpoena, but how fast the uptake will be over the course of this year, I don't know. Nobody knows. So we think that that will be in the latter part of the year, and that's also why we -- that's part of why we say that we will have a stronger growth in the second half than we have in the first half of the year.

Niels Leth: As we speak, are you growing your US business by double-digit numbers?

Lars Rasmussen: Well, that's a very leading question, and I don't think that we are prepared to be that specific.

Niels Leth: Okay. Thank you.

Operator: Romain Zana, Exane.

Romain Zana: Yes. Good afternoon. Two questions on my side, please, the first one on SpeediCath. In light of the patent expiry coming in 2017 on the ready-to-use technology, could you tell us what is the proportion of customers that has been converted so far to the SpeediCath Compact? That will be my first question.

Lars Rasmussen: No, we don't give that number out, but it's no secret that of course we spend the majority of our efforts in converting people up to the SpeediCath Compact catheters, because they don't expire. The patents on those don't expire until 2022.

I also think that it's probably worth to remember that there are many products in the market today that are very close to the ready-to-use technology. You can find quite a bit of catheters out there that does have a hydrophilic coating and that does have a water sachet or water ampule inside, so all you do is that you press on the packaging and then you just don't open it until 30 seconds later. So in that sense, there is a lot of products out there that are quite close.

You also have the fact that in most markets these things are supplied by prescription, and in those markets where it's not supplied by prescription, it's because there's either public tenders or because there is a homecare company in between us and the end user. And where you have these tenders and homecare companies, that's 15% of the total sales in catheters.

So in that sense, I think you have to be a little bit careful on how you interpret this, because there is a tendency -- and that's why I'm talking a little bit about it. There is a tendency that you think that this is pharma, where the moment the patent runs out, there would be a lot of very cheap alternatives in the market. They're already there. We get the same price for the products, whether it's a highly sophisticated product or whether it's a more old basic product. They're already in the market at the same price. That will not change.

Romain Zana: Okay. Very helpful. Thank you. And just a clarification, my second question, on the organic growth guidance for next fiscal year, which is obviously a bit more cautious than your long-term ambition. What are the main reasons for being more cautious on the short term? Is it an increasing pricing pressure that you talked about, or more the ongoing challenges in the UK, US, and how do you expect the pricing to evolve looking forward?

Lars Rasmussen: Well, we would not like to issue a longer-term guidance -- longer-term fixed guidance than for the full year. But when it comes to this year's guidance, there is an uptake that needs to take place in the UK and US compared to the growth rates that we had last year, and then getting those businesses back to normal growth rates. We don't know how long that is, but we expect it should be during the first half of this year, and that is why our guidance is so clear that we will have a weaker first half than second half year.

Romain Zana: Okay. That's clear. Thank you very much.

Operator: Michael Jungling, Morgan Stanley.

Michael Jungling: Thank you very much. I have three questions. Firstly, can you give us a guidance for net financial charge for the year 2016, so your next fiscal year?

Secondly, on US GPO contracts, what is your view on getting onto some of those and what is the next event or catalyst that you are looking for?

And then thirdly, on the EBIT guidance range, the 33% and 34%, just on a very high level, what is the difference between those two numbers? Is it sales growth or is it more focus on cost control that gets you to 33% versus the 34%? Thank you.

Lars Rasmussen: Let me start out by the GPO contracts. First of all, we are on most of the GPO contracts when it comes to wound care and skin care. Those are just multiple source contracts, so more than two vendors there. And we are on none of the formal contracts when it comes to ostomy care, but we are -- with one of the bigger GPOs, we are at a best technology contract. That means that our SenSura Mio platform is launched in that one.

But all of the GPOs are having -- during the course of 2016, they are opening up for the contracts, so that means that we are right now preparing bids for all of them. And that is very important, of course, for us because in the long term it's hard for us to grow to the size that we have elsewhere if we don't get on the GPO contracts.

Those contracts are today dual-source contracts, and as I mentioned, we are only in because of the technology that we have. It's hard for me to say what the likelihood is that we will get into those contracts, but we definitely do the best we can to be in there. And I think it's very nice that we are in a situation where the GPOs come back to us and say they would like to get our products in on a technology contract.

Michael Jungling: And on that point, please, what is the next catalyst or the next meaningful GPO contract that you're looking for in 2016? Is it January, February, March? Some sort of detail, please.

Lars Rasmussen: The Novation will be ready from this summer, 2016, and the Premier, which is another big one, will be in the spring of 2016.

Michael Jungling: Thank you.

Anders Lonning-Skovgaard: And Michael, in terms of your question around net financial losses, we expect to have a minus of DKK100m in 2015/2016.

And you also had a question around our EBIT guidance, I think. So our EBIT guidance is driven by scale, from growth, and it's also driven by that we expect not to have as many one-offs as we had in 2014/2015.

Michael Jungling: But the difference between 33% and 34%, to get to 34%, what needs to happen, please?

Anders Lonning-Skovgaard: In order to get to the 34%, we need the growth to be in the high end of our guidance.

Michael Jungling: So it's purely sales growth that would get you to 34%?

Anders Lonning-Skovgaard: Yes, in combination with the activities we are doing on the cost side and also that we expect not to have as many of the one-offs as we had in 2014/2015.

Michael Jungling: Okay. And also a follow-up, please, on the margins, because in the third quarter, when I asked the question about what is the reference point for margins in fiscal year 2016, you mentioned 32%, which was obviously a consensus downgrade. And I guess you managed the numbers down very well, but three months later we're back to a possibility of a 34%. Why did you think it was necessary to become quite negative on the margins in the third-quarter call?

Anders Lonning-Skovgaard: So the situation was that we actually got out with a better Q4 than we thought, so we had a slightly better growth, and we also had an EBIT margin that was higher than we thought back then. And we also got a little bit of a tailwind from the currencies, and that actually meant that we ended the full year with an EBIT margin of 32.6%. So that is the base for our guidance for 2015/2016.

Michael Jungling: Okay. That's very helpful. Thank you.

Operator: Alex Kleban, Barclays.

Alex Kleban: Yes. Hi. Thanks for taking the questions. So for my three, I wanted to ask about margins. So first on the restructuring charges, and just how much do you have in restructuring charge for the 300 headcount transferring out of Denmark? Is DKK25m to DKK50m about right for that?

The second one is going to be on DtC in the US, and just wondering if you have an early sense of what the response rate is going to be around that and what kind of ROI you can drive from that investment.

And last question is on surgical urology on the US, and particularly the men's health side. Just you'd flagged up a bunch of issues that could potentially be impacting that earlier in the year at the H1, and just wondering if you have a better sense of what those are now, whether it's utilization or more competitive dynamics and what that means going into next year. Thanks.

Lars Rasmussen: To start from number three and then backwards, the surgical urology business in the US, it's that there is more competitive pressure because there is more certainty about the ownership of our large competitor when it comes to men's health. So that's one thing that is impacting us, and that's of course new. And then secondly, we also see that there is a pattern where it's a bit harder to get insurance coverage for these types of surgeries. And those two things in combination have impacted us this year, and I would still expect us to be impacted by that next year.

But having said that, overall, in the urology business, despite of these issues we had around 5% growth. So that talks to that a lot of the rest of the business is actually doing quite well, and we also expect that we can do a bit better performance in the year that we're in now.

On the DtC, return on this, both the activities and also return on investment on DtC in the US, I think it's too early for us to say. This is a discipline where we are new. I know that many other business areas they are very well versed in running TV campaigns and understanding the return on investment and so on, but up until now, on our own drive, we have only been running TV commercials in France on our collecting devices, and there we had a very,

very fast payback of less than 12 months. But US is a different market and these are different products that we are talking to.

So in that sense, we are learning and we are just weeks into this experience, so it will be way too early for me to share any learnings on that part.

And on the restructuring cost in Denmark, Anders?

Anders Lonning-Skovgaard: Yes. So we are working hard on moving the machines from Denmark to Hungary, and we are expecting to reduce the number of workers in Denmark with 300 over the next three years. Our expectations in terms of restructuring cost for 2015/2016 is in the level of DKK15m to DKK20m.

Alex Kleban: Okay. That's good. But then we were taking something like 10 basis points back on the margin. So I guess to the other questions, 33.10% to 34.10% in adjusted, is that fair?

Anders Lonning-Skovgaard: I will not go into a specific dialog around that.

Alex Kleban: Okay, but it's a little bit on the higher. There's some cushion in there, I guess, is the point of the question, just given that in adjusted terms we have some additional costs that are going to factor in this year.

Anders Lonning-Skovgaard: Yes, but we also had the restructuring cost last year, in 2014/2015.

Alex Kleban: Yes, fair enough. Fair enough. Okay. Thanks.

Operator: Veronika Dubajova, Goldman Sachs.

Veronika Dubajova: Good afternoon, gentlemen, and thank you for taking my questions. I have three. The first one is just on the US and, Lars, I appreciate you may not necessarily want to talk about how your US business has grown, but can you just give us a sense, as you think about the previous fiscal year and the fiscal year that you've currently reported, what the difference in the US growth rate has been? And I guess is your expectation that's embedded within the 7% to 8% that you're going to return to the historical 2013/2014 level of growth? That's my first question.

The second question is just on the manufacturing relocation to Hungary. Anders, when would you expect to have completed the bulk of the move? And what's the gross margin impact from that? If you could help us think through that, that would be very helpful.

And my last question is just on Germany, and I noticed your comments in the prepared remarks about the situation still being challenged on the homecare front. Anything that's changed versus the last quarter there, or is it just more of a status quo? Thank you.

Lars Rasmussen: Yes. Without being overly detailed, I would say that US was impacted last year by the Department of Justice subpoena and of course also by the reduction of the growth rate in men's health in the US on the urology side. How fast that will -- I would also like to say that we are in a situation where we are still taking market shares quite rapidly in all of our business areas in the US, but how fast that we are coming back to the level that we had before the Department of Justice, good question. I don't know.

But we are expecting that during the last part or the second half of this year, that we will [pass] back somewhat. But of course, that's one of the things that we are cautious about when we are guiding for the year.

In the German homecare scenario, it's the same comments that we had. The basis is the same as we had last quarter. So we see a lot of fighting going on in the homecare segment and we don't benefit from that on our homecare side, SIEWA, in Germany, but we actually, due to this, see quite a strong growth in our base business, which is what we call GmbH, the basis business there.

So in that sense, we have a growth over and above the market growth in Germany, but we are, as we said, impacted by what is going on in the homecare channel. So nothing new from last quarter. That's the same comments.

Anders Lonning-Skovgaard: And in terms of our transfers, we are working hard on that right now, so we are working on moving the production of Compeed to Hungary and we also are working hard on moving the production of the new Mio to Hungary. And we have actually already started the production of the new Mio

in Hungary, and we expect that this will contribute to our EBIT margin expansion of 0.5 to 1 percentage point ambition that we have from next year.

Veronika Dubajova: Thank you. And Lars, can I just follow up on the US? If I were to -- just giving us a range would be very helpful. Is it fair to assume that the business is growing in the mid to high teens in 2013/2014 and it grew high single digits last year and your expectation is that you get back to double digit? Is that a fair way to summarize what you're seeing in the US?

Lars Rasmussen: That's -- I would rather not go into guiding on each of the countries and each of the business areas there, but our growth is impacted. So maybe if you said growth for Coloplast in the US is around double digits, that's probably a good guidance then.

Veronika Dubajova: Okay. Great. I'll leave it at that. Thanks.

Operator: Martin Parkhoi, Danske Bank.

Martin Parkhoi: Hello. Martin Parkhoi, Danske Bank. Also a couple of questions. Firstly, on the additional money you spent for additional sales initiatives, they are going down with DKK50m in 2015/2016 versus 2014/2015. Can you explain the reason? Are you finding less opportunities? And then should we see that a trend which will continue and that this will continue to go down over the course of your longer-term target period?

The second question is actually also to the long-term targets. I guess that they are on a three to five years horizon, which naturally means that they include also at least in the first year the patent expiry of SpeediCath. I know we have discussed it before, but can you quantify what kind of effect you have included in that in your long-term forecast period?

And then my final question is maybe also a little bit related to long-term targets. That's on the GPO contracts we also have discussed earlier. Have you included that, that you will actually be on them with your ostomy care business in your long-term targets? That was all.

Lars Rasmussen: That was all. We don't have a fixed number for what we want to spend right now on growth initiatives. And our growth initiatives are a little bit depressed from the fact that we can't invest as much as we -- or we don't want to invest as much as we could in the UK, for example, right now, because we need to see that business swing back before we are ready to invest further.

We were in the middle of an investment program for putting more people into the markets that we actually stopped before we were at the -- at target with it, because of the situation in Charter Healthcare. So that is one of the things that are impacting us. And if we are in a situation where we see that our TV commercials in the US is really paying off and delivering immediate growth, we will probably step up the investments.

So in that sense, it's a more dynamic picture, and we do some things that have a bit of uncertainty to them. So therefore, we are only telling you what we are absolutely certain that we are going to invest, and then if we see room for more, of course we do more. If we see that some of the initiatives that we are investing in are not paying off, then we'll cut it out. So this is what we expect for the coming year, and it's not more firm than that.

On the GPO side, we have not included that we are in place with the GPOs in the guidance that we have. And we don't expect that if we win one or all of the GPO contracts on ostomy care that it will have any immediate effects. That is a long-term thing.

And on the catheter side, it might be that we just see a different picture than you do, but we don't expect that the patent expiry is going to have any major impact on our performance in catheters because there are so many competitors out there priced at the same level as we are priced by already, and very close to what we have. So we don't expect to see a super negative effect from this that we think we need to include in the other year.

Operator: Soren Holm, Nordea.

Soren Holm: Yes. Hello, everybody. A couple of questions from me. Maybe one big picture on urology. One should think that the current situation in the US, both in men's and women's healthcare, could drive some consolidation in the market.

Could you please share some of your thoughts on that and if you're seeing any of that at the moment?

And then secondly, on the DtC campaigns in the US, could you share what kind of setup do you have there? Are you working with a single or multiple partners, and is prices fixed on beforehand and what kind of prices do you see with your partners?

And finally, the kind of partner you choose for this, if it's the case, is that Cardinal or is it more like the Liberator kind of guys?

Lars Rasmussen: We don't see any consolidation movements in the US on the urology side, apart from what just happened between AMS and Boston Scientific. But the whole women's health side is completely frozen right now due to the litigations, so in that sense there is absolutely no activities there. And I don't think that anything is going to happen until we are on the other side of this mesh litigation.

And on the DtC side, I just have to say, if I didn't make it clear from the outset, we are running a pilot in the US and of course we attach a number of dealers to this pilot, but this is mostly. At the moment we believe that we can take this large scale, and we'll take stock of how we are going to distribute the lead traffic that we are getting out of these campaigns.

Soren Holm: Thank you. And just for clarification, is it fair to assume that the earnings will be more backend loaded than the revenue next year?

Anders Lonning-Skovgaard: What I said earlier, we expect both the growth and also the earnings to be backend loaded.

Soren Holm: By the same extent?

Anders Lonning-Skovgaard: Yes. In that level, yes.

Soren Holm: Okay. Thank you.

Operator: Yi-Dan Wang, Deutsche Bank.

Yi-Dan Wang: Thank you very much. I have a few questions. The first one relates to the ostomy business and the pace at which you're gaining market share. When I first looked at the Company back in 2008, it was delivering pretty good rates of market share gains already, and since then you've obviously invested a fair bit of money into DtC and you've got SenSura Mio into the market, which is pretty differentiated. So can you comment on how your market share gains in the ostomy systems part of the business is developing, whether we're seeing faster rates of market share gains, and if not, why not?

And then the second question is, Anders, you mentioned that the net financials will be about DKK100m. Does that include the interest costs for the DKK1b that you expect to borrow for the mesh settlements? And if it does, what kind of interest rates should we attach to that?

Lars Rasmussen: On the ostomy business, we are -- I think it's fair to say that we are not seeing the uptake in the numbers that I'm expecting to see from the launch of Mio. And that is very much suppressed from the UK situation, because UK is such a big part of our European business, so there we see that. And also, in the US, where our campaign activity has been somewhat depressed, and then we have also had the situation where a couple of the emerging markets are not going as fast as we expected them to when we made the plans for them.

So in that sense, we see a very nice pickup across the globe, but we actually had expected to see more. And I also expect to see going forward a higher momentum, both due to the fact that we now have completed the total range of new products and also due to the fact that we are coming back in UK and US.

So in that sense, I think that we are standing extremely strongly, but had we had a normal year, we would have had a bigger uptake than what we see right now.

Anders Lonning-Skovgaard: Yes. And in terms of the net financials, yes, the interest for the borrowing is included.

Yi-Dan Wang: And what interest rate are you getting for that DKK1b of borrowing?

Anders Lonning-Skovgaard: It's actually pretty low. It's less than 1%.

Yi-Dan Wang: So the rest of it is just all FX related?

Anders Lonning-Skovgaard: Yes. So that's the majority of it that is FX related.

Yi-Dan Wang: Okay. All right. Great. Thank you.

Operator: Scott Bardo, Berenberg.

Scott Bardo: Yes. Thanks very much for taking my questions. And the first question, please, on the midterm guidance framework, I think back in 2014 you outlined expectations for around 7% to 10% topline and around 50 to 100 basis points margin improvement by 2019. Just wanted to clarify, please, because if I am to understand that the upper end of that guidance range is to be achieved, and given the relatively stagnant 33% margin over the last few years, including this year, that would imply around 150 basis points margin improvement every year out to 2019 to get to that upper end of the range.

Is the upper end of the range no longer achievable and we should be guiding for more the lower end? And perhaps if you could give some commentary around that given, as I say, the last few years' performance on the margin side. So that's question number one, please.

Question number two, just coming back to the US answers. Thanks again for coming back to this point. I think in previous calls you've outlined that despite the Department of Justice intervention or investigation you still would have expected and have expected a double-digit growth in the North American market throughout fiscal 2015. A bit confused as to whether that was achieved.

So if you could just explain whether you've achieved your aspirational targets in the US this year and perhaps give a little bit of comments, actually, as to is there anything you would expect that could surprise or be cautionary ahead of the final language negotiations to the DoJ on November 19. Is there anything we need to watch here which could limit the degree of external marketing campaigns or change the direction of your growth strategy in the US?

Lars Rasmussen: Hang on a second. I think there is a big confusion here. The November 19 meeting is a meeting with a judge, when it comes to the mesh litigations. There is no further meetings with the Department of Justice and there have been no meetings with them since before summer holidays.

Scott Bardo: Okay. My understanding was from the legal filings that the DoJ was still in some negotiating language, but you're quite comfortable that there's no additional language or comeback from the DoJ? We haven't seen any obviously release or announcement from the DoJ, so should we now consider this done or --?

Lars Rasmussen: Yes, we consider it done. So what we are waiting for is the final document to close the case, but we have asked DoJ if we could publicize the settlement amount, which we did today. So they obviously agreed to that.

Scott Bardo: Thanks, Lars. So just following on from that then, are we now to assume that you're back to full marketing campaigns, as you did prior to this investigation, with external providers, or are you doing a slightly different approach now that you're doing direct to marketing, just to understand that point?

Lars Rasmussen: Yes. We are running campaigns again, and we are not the only ones that have been investigated under this DoJ subpoena. And of course we have learned from that, but it does not preclude us in any sense from running campaigns. And I think that's very fortunate because that is the business model for the US, where you are running campaigns to convert business and you're also running campaigns to [sell assessments] and so on. And we can still do that.

Scott Bardo: Great. And --

Lars Rasmussen: And of course, you cannot start where you ended. This will be normalizing during the course of 2016.

Scott Bardo: Okay. So we should consider absolutely no changes in the North American market, as to prior to this investigation? Under your opinion, we're back to normal.

Lars Rasmussen: Yes. We are back to a situation where we can run campaigns with dealers and distributors, as we have also done in the past, and where we use our care program to -- and our DtC activities to get leads and direct leads to partners with whom we have a cooperation.

And you also had a question where you asked about our growth rates, and for sure our growth rates in the US have been impacted during 2014/2015, due to the Department of Justice investigation. No doubt about that. But we are still taking market shares and we are still growing around double digit in US.

Scott Bardo: Okay. And baked within your expectation this year is presumably, as I think you mentioned, a similar sort of growth, that you would expect to do something similar this year?

Lars Rasmussen: We would expect that growth will pick up in the US in the second half of the year.

Scott Bardo: Great. And just back to the first question, actually, please. So just given the midterm margin outlook that we had back in 2014, is the upper end of the guidance bandwidth now non-achievable, because that would imply a 150 bps progression over the next three years annually? Is that the right way to look at it, given the relatively stagnant operating margins over the last few years, or is that still an achievable -- something that you aspire to?

Anders Lonning-Skovgaard: So the way we look into it is that if we are able to grow more, we will also get more scale benefits, so that is one element. The other element is that we are currently transferring quite a lot of production from Denmark to Hungary, and that will also impact our profitability midterm.

Lars Rasmussen: But as we have talked about earlier in this presentation or in this question and answer round, we are quite dependent on the growth rate. And of course, the more we grow, the more profitability we'll also deliver, because it's very, very scale driven, what we deliver on the bottom line.

Scott Bardo: Understood. But you'd be more comfortable if the market expanded margins 50, 100 basis points from next year onwards, basically, just to understand?

Anders Lonning-Skovgaard: Yes. But the initiatives that we are working on, both from a growth point of view but also from a profitability point of view, yes, that's how we see it also from 2016/2017.

Scott Bardo: Great. All right. Thanks very much, guys. I'll drop off.

Lars Rasmussen: I think we will take the last question now.

Operator: Ian Douglas-Pennant, UBS.

Ian Douglas-Pennant: Sorry. I was on mute. I beg your pardon. Sorry, it's just a very quick question on working capital levels. Your inventory levels have now stabilized at around 125 days. Should we expect that kind of level to continue, or once your manufacturing changes have finalized, would we expect that to go down again from there back to the levels that we saw two or three years ago?

Anders Lonning-Skovgaard: So our expectation is that right now it will be at that level, because we are transferring the production from Denmark to Hungary and therefore we are also increasing our inventory levels. But over time, my expectation is that we will go back to the levels we saw a couple of years ago.

Ian Douglas-Pennant: Okay. So in three years' time, we'll be back to 100. Okay. Thanks very much.

Lars Rasmussen: All right. That concludes the Q&A session. So thank you very much for listening in and looking forward to see most of you over the coming months. Thank you very much.

Operator: That does conclude our conference for today. Thank you for participating. You may all disconnect.

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